

A man with glasses, wearing a blue quilted vest over a grey long-sleeved shirt and blue trousers, stands in a warehouse. He is holding a black tablet and looking at the screen. The background shows tall blue metal shelving units filled with blue plastic pallets. The floor is concrete with some white markings.

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# The problem with productivity

How tech unlocks efficiencies and brings new opportunities for small businesses





# Introduction

**B**ritain has a productivity problem, with our companies falling significantly behind those of other G7 nations such as Germany and France, which produce around 30% more per hour worked than the UK. And nowhere is this more keenly felt than our Small and Medium Businesses (SMBs).

Seen by many as both the lifeblood and bellwether of Britain's economic health, the productivity challenge is particularly acute for SMBs as they often lack the tools – expertise and technology – to galvanise their business.

**This report highlights the productivity issues that SMBs face and reveals how embracing new technologies will help them to thrive in an increasingly fast-paced and competitive business environment.**

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**F**or the UK's Small and Medium Businesses (SMBs) there exists a great, yet often surprisingly overlooked, opportunity. It is an opportunity to become competitive and more profitable. It is an opportunity to grow and improve your customers' satisfaction and clients' relationships. It is an opportunity to have more engaged, happier staff. And, perhaps most importantly, it is an opportunity to be part of the economy of the future.

This is the opportunity to be more productive. And technology is the key.

Now, you might say these are fine words, but there's nothing new here. It is no secret that the UK has a huge productivity problem—and this has been the case for decades. When it comes to productivity, British business lags behind many other G7 nations. Germany and France, for instance, produce around 30% more per hour



**“Closing the UK’s productivity gap is the single biggest economic challenge we face... Our productivity has only grown by a tenth of what it should have in the past decade and we have to make up lot of ground in order to catch neighbouring economies like France and Germany.”**

Sir Charlie Mayfield,  
Chairman of Be the Business

worked than the UK—and this is one of the reasons the French are as wealthy as the British despite working significantly fewer hours<sup>1</sup>.

This gap has been a source of concern for successive governments, and if anything, it's getting worse. Over the last ten years, UK productivity has more-or-less flatlined while, in many other EU economies, it's increased. In 2017, the UK government set up a campaign group called 'Be the Business' to tackle the problem.

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<sup>1</sup> ONS international comparisons on productivity.



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What needs  
to be done  
to help UK  
SMBs?




SMBs are often particularly badly affected by this productivity malaise. Because of their size, they cannot achieve the economies of scale that larger businesses manage. They are often geographically constrained in terms of the resources they can access. And, they may lack the expertise and the in-house staff to stay abreast of best practice and innovative technologies.

This is a huge issue for both individual companies and the economy as a whole. According to the Federation of Small Businesses (FSB) there are 5.94 million small businesses in the UK; [SMBs account for 60% of all private sector employment and their total turnover is £2.3 trillion—over half of all private sector turnover](#). Clearly, if SMBs were to become, say, 15% more productive it would make an enormous difference to the economy and overall life in the UK.

When it comes to productivity and SMBs, technology is one of the easiest wins out there. If SMBs were to start making better use of technology and building technological know-how into more of what they did, it would drive improvements in areas ranging from customer satisfaction to worker engagement. It would make these businesses more knowledgeable and more competitive and allow the companies in question to be more agile and innovative.

Moreover, these improvements would feed into each other and create a virtuous circle.



**“To boost productivity requires management, leadership and employee engagement. It also requires innovation including adopting new technologies.”**

Sonali Parekh  
Head of policy at the FSB

Of course, there is no reason that small businesses can't be amazing tech companies. You only need visit Old Street in London to find hundreds of start-ups which do nothing but tech. However, away from London's pulsing digital hub, there can often seem to be a divide between high tech SMBs and SMBs in other sectors.

Why is this? One of the answers is that many smaller companies do not know where to start. They have plenty on their plates as it is and reinventing themselves around technology is not a priority or even something they give much thought to. As the productivity expert Alistair Esam explains,

[“They don't know how to solve \[the productivity problem\] so they often make excuses that they are too busy. Ownership is key. Employees need to own the solutions and tools to do a great job.”](#)

Often whole sectors can feel affected by this tech malaise. “Veterinary practice is a fairly conservative area and has lacked innovation,” says Dr Mark Boddy, founder and CEO of the online 24/7 vet service PawSquad (see case study on page 14). “Most innovation has come from outside the industry.” In a similar vein, there are many other sectors and businesses which, even now, are relatively untouched by the tech advances of the past 20 years. The staff may use smartphones, but that's pretty much it.





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**How 'plug  
and play'  
drives  
productivity**



There are several good reasons why now is the time for SMBs to embrace this productivity revolution. The first is that technology has got so much better. It's often said that technological developments under-deliver in the short term and over-deliver in the long term.

For instance, internet usage on phones first appeared with WAP phones in the late 90s but it was almost ten years until smartphones made it a mainstream proposition.

Many businesses are now enabling their employees to work more remotely; at home, on the move, or in various locations. As such, they need the right technology that allows for this increased mobility.

Indeed, Bill Gates once famously said, he wanted “a computer on every desk, and in every home.” But mobility has taken this unimaginably further. On-the-go employees need access to computing devices at all times. This shift to mobile working has pushed IT into areas where it once barely existed. And while mobile devices and tablets are great for many tasks, workers still prefer laptops for others. People from construction workers to couriers now carry computers. IT is no longer the preserve of desk-based, white-collar workers.

In tandem with this, the productivity apps on these devices have become much easier to use and much better integrated with each other. They just work. Everything is plug and play. There is no specialist technical knowledge required to use these devices.

All over Britain, small business owners are discovering the benefits that this kind of technology can bring. One SMB contacted for this report, who worked in construction, revealed that he was previously using a phone, a tablet, a PC and a laptop, some of which were five years old. His work involved laboriously transferring pictures and files from one device to another and using various software packages which did not integrate well with each other.

By switching to just one device—the Samsung Galaxy Book Pro 360—and using cloud based apps and solutions such as Microsoft 365, all his work

would be in one place and accessible anywhere in the world from any device. The productivity implications are clear.

We are now in the middle of a technological revolution which is every bit as profound as the dot.com revolution. One of the most radical effects of the dot.com era was that it meant SMBs—whether they were butchers in the Lake District or specialist cable suppliers in the Midlands—suddenly had a global presence. A website meant they were as visible to the world as Tesco and Amazon. This was a game changer. It meant small businesses could be big.

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**This shift to mobile working has driven the development of immensely powerful computing devices.**



**W**hat the cloud-based services and ubiquitous technology have done is less visible but just as transformative. They have brought the computing power of large businesses to SMBs. It's a kind of business service and data revolution. Everything, available, anywhere and from any device.

It gets better still. SMBs no longer need to worry about IT. They can buy everything in. Suddenly they have the same access to services ranging from storage to accounting to productivity software to social media suites that the giants have. They can mine customer data and use it to deliver better service. They only have to buy what they need—cloud services are like buying electricity or water. You buy as much as you use— and if you suddenly need more, it's just a click away.

In fact, small firms may even have the upper hand here. Big companies are often constrained by the decades-old legacy systems they have to work with, whereas SMBs aren't. They can be much nimbler. For example, signing up to small selection of apps and services is often enough to get them enterprise-ready.

Even so, smaller businesses are often reluctant to take the plunge.



**“We know that embracing digital technology can help businesses in every sector to be more productive. Firms risk being left behind unless they have the skills to take advantage of technology to remain competitive and responsive to their customers.”**

Mike Cherry  
FSB's National Chairman



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The way  
forward



**C**learly, there has never been a better time for SMBs to embrace these technologies.

But how best to go about it—and what obstacles still remain?

Companies should recognise that while technology is the enabler, people are still the key. This means that the approach needs to be a combination of teaching digital skills and empowerment, raising awareness of the benefits of tech and embracing change. Adoption should be led from the top of firms but must go all the way down to the shop floor. Buy-in is crucial.

Businesses also need to understand that the productivity puzzle is a complex one. Although it's about unlocking people's potential, a broad range of initiatives may be necessary to do so. These include teaching skills, improving management and leadership, technological solutions and getting employees on board. There is no single magic bullet. To really benefit, you need to have all your ducks in a row.

You need to familiarise and train staff and show them how these products can benefit them right across the board. You might say (as with our man in construction): *"This means you now only need one device and need never transfer files between devices."* But if they have a young family you might add, *"Doing everything in the cloud means you can work remotely three afternoons a week."* In both cases,

**"Because the bot takes on more routine tasks like maintenance requests and contract information, it frees up our property managers to concentrate on the overall service and maintenance of the building, providing a better experience for tenants."**

Sam Winnard  
Director at JLL

it's about making work easier and also removing obstacles to productivity.

Businesses should look too at where technology can add the most value to what they do and how it can help create better systems and processes. Often this can happen in surprising places. Property specialists JLL have developed Artificial Intelligence solutions to support their lettings business. Working in conjunction with the lab EBI.AI, they've set up a virtual assistant for tenants which is used to report maintenance and repair issues using Amazon's Alexa, WhatsApp or Facebook.

It's also important for SMBs to speak to their peers and relevant industry and government bodies. One of the reasons that London is cited as one of the best places in Europe for entrepreneurs and start-ups is the "cluster effect" where you have a large number of small businesses in similar sectors in one area. The best-known example of this is the tech cluster around Old Street.

Clusters mean people talk to their peers all the time and innovation and good ideas spread quickly.

This effect is considerably harder to replicate if you are, say, the only legal practice in a county town in the West Country. Moreover, peer-to-peer learning is hugely important as seeing a competitor use a product or service is a form of endorsement. Perhaps, because they are more isolated and do not see the benefits of them in competitors, a quarter of SMBs do not consider digital skills important—despite clear evidence that they spur growth. For this reason, it's hugely important that organisations such as the FSB and entities like government bodies help businesses to share best practice—and offer support to those seeking to improve their digital capabilities.



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A great  
opportunity  
for businesses



There's never been a better time for British SMBs to adopt new technologies and begin their journey to a more productive future. Those that do will find that not only are they more competitive and profitable, but that everything from exporting to attracting new staff becomes easier.

It's true that the first steps on this journey can seem daunting. But there's plenty of support out there and embracing this brave new world has never been easier. The companies that do choose to adopt this always-on philosophy are those that will thrive—and discover that nothing succeeds like success. They will become part of a more productive future.

## How to improve productivity

1. Think about whether your employees are engaged or not.
2. Look at the areas where people seem to be performing and delivering—and where they aren't. What separates them?
3. Think about how processes and communication can allow people to work at their best. Can technology help you remove obstacles that stand in the way of productivity? For instance, Cloud-based apps might make sharing documents far easier.
4. Talk to staff. Ask them what they want and what problems do they have? Are there any tech solutions they use informally that may have wider applicability?
5. Talk to your peers—what are they doing to improve productivity?
6. Look for examples of best practice across the board. Many tech solutions have broad applicability and the best ideas may come from businesses in very different fields.
7. Use industry organisations and government bodies to access these skills and advice.
8. Remember that many staff, and particularly younger staff, expect great technology. Providing them with the right tech to do their jobs can act as a recruitment tool.
9. Take a sensible view of cost. For most businesses, staff salaries are far more expensive than technology.
10. Look at your business context. Do your clients and suppliers use specific tech solutions? Can you integrate your technology with theirs to drive efficiencies and deliver savings?



# Case study

## PawSquad

PawSquad is a 24/7 online vet service founded by Dr Mark Boddy. It meets a clearly defined need by offering an out of hours vet service, recognising that many pet owners struggle to find the time to take their pet to vets.

The insight here was that many people just wanted to talk to an expert to assess their pet's problem. Much like doctor's appointments, many vet consultations can be done and the problems resolved by video chat—which is more efficient for both parties. PawSquad allows owners to book one-off consultations or become premium members.

Because the service is provided via smartphone, it means pet owners can get a consultation at any time

and from any place with a phone signal. They effectively have a vet in their pocket. For vets who work long hours, it also offers benefits in terms of efficiency, convenience and organisation.

*"Most vet practices struggle with how to bring in innovation and don't know how to use it or where to access it,"* explains Dr Boddy.

"Practice management systems are fairly basic with vaccination reminders triggered by date—whereas new CRM systems are emerging to manage the whole experience more effectively."

**"By using our platform, they can integrate [PawSquad] with their own direct to consumer service and can use the platform to provide a 24/7 service."**

Dr. Mark Boddy  
Founder of PawSquad

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